

# BUDGET LETTER

		NUMBER: 11-30
SUBJECT: EMPLOYEE COMPENSATION ADJUSTMENTS – ITEM 9800	DATE ISSUED: September 21, 2011	
REFERENCES: VARIOUS, SEE ATTACHMENTS	SUPERSEDES: BL 10-33	

TO: Agency Secretaries  
Departmental Directors  
Departmental Budget Officers  
Departmental Accounting Officers  
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

**NOTE: Budget Officers are requested to forward a copy of this Budget Letter (BL) to Human Resources and Labor Relations Offices.**

<i>Deadlines and Deliverables</i>	
October 12, 2011	Item 9800 attachments and any supporting documentation to your Department of Finance (Finance) budget analyst.

## I. Background

The state has current Memoranda of Understanding (MOUs) with all 21 collective bargaining units (BU). See Attachment 2 for a list of the 21 BUs. This BL addresses the distribution of 2011-12 employee compensation augmentations approved through the collective bargaining process and for employees excluded from collective bargaining as approved by the Department of Personnel Administration (DPA). It also includes background information and instructions for departments to calculate and schedule current year and budget year funding requests.

These instructions do not apply to personnel of the University of California, the Hastings College of Law, the California State University, or State Active Duty personnel of the Military Department.

## II. Employee Compensation Adjustments

### A. Treatment of Budget Documents

**See Attachment A of this letter for instructions on the treatment of budget documents (Planning Estimates, Supplementary Schedule of Appropriations [Schedule 10s], and the Governor's Budget (Detail of Appropriations and Adjustments, Changes in Authorized Positions, and Expenditures by Category)).**

### B. Instructions

Budget staff of the affected departments must complete and submit the appropriate attachments to their respective Finance budget analyst no later than **Wednesday, October 12, 2011**. The information is necessary to support the funding request and to provide the necessary scheduling information to process a Budget Executive Order to transfer appropriation authority from Item

9800 to the support appropriations of the respective departments. Refer to the following attachments to determine and prepare applicable departmental adjustments:

- Attachment 1 **Summary Sheet**
- Attachment 2 **List of Bargaining Units**
- Attachment 3 **List of Eligible Adjustments**
- Attachment 3a **Health Adjustment Instructions**
- Attachment 3b **Health Adjustment Detail**
- Attachment 4 **Miscellaneous and Special Salary Adjustments**
- Attachment 5 **Health Benefit Adjustment Worksheet**
- Attachment 6 **Interagency Agreement Worksheet**
- Attachment 7 **Scheduling Worksheet**
- Attachment 8 **Planning Estimate Worksheet**
- Attachment 9 **Crossties**

**To request funding for eligible adjustments, departments must complete and submit Attachments 1, 4, 5, 6 (as appropriate), 7, 8, and 9 to their respective Finance budget analyst.**

Electronic links have been added to some of the attachments to assist departments in completing them. Worksheets have been locked except for cells requiring data input to prevent inadvertent formula changes. If additional rows are necessary in Attachment 4, be sure to maintain formulas and totals. The totals on Attachments 4, 5, 6, and 8 roll into the Summary Sheet (Attachment 1) as appropriate.

### **C. Interagency Agreements**

Contracting departments requesting funding for the employee compensation adjustments associated with increased costs of interagency agreements must coordinate with the reimbursed department in order to correctly complete Attachment 6. Attachment 6 must be completed by the department that funds the interagency agreement (contracting department). Employee compensation and benefit adjustments for these departments will be considered under the following conditions:

- Personnel funded by the interagency agreement must be eligible for an adjustment, as identified on Attachment 3 of this BL.
- The reimbursed department must incur additional costs resulting from the employee compensation and benefit adjustments approved by DPA and identified in this BL. Departments are required to calculate and enter these amounts on Attachment 6. These adjustments should be calculated by the reimbursed department as part of their regular employee compensation adjustments and the amount entered as reimbursements. The contracting department must enter the amount as General Fund, special funds, or nongovernmental cost funds as appropriate on Attachment 6.
- Any interagency agreement included on Attachment 6 must be amended by the affected departments to reflect the corresponding funding request.
- For each individual interagency agreement, the total adjustment must be at least **\$10,000** to be eligible for inclusion on Attachment 6.

### **D. Employer's Health Benefit Contribution**

Adjustments to the employer's health benefits contribution for all BUs with the exception of 12 and 18 were made as a part of their MOUs or as approved by DPA. DPA has transmitted

specific health contribution adjustment data to departments through Personnel Management Liaisons. To calculate the 2011-12 Employer's Health Benefit Contribution adjustment, departments should refer to Attachment 3a and 3b and calculate the adjustments on Attachment 5.

#### **E. Miscellaneous and Special Salary Adjustments**

Various employee compensation adjustments were negotiated and approved for specified represented employees and for excluded employees, as approved by DPA. DPA has transmitted specific classification and pay adjustment data to departments through pay letters. A listing of these pay letters and associated salary adjustments can be found on Attachment 3.

**No additional funds will be provided for adjustments not appearing on Attachment 3. Miscellaneous and special salary adjustments will not be provided for overtime or temporary help blankets. For the 2011-12 and 2012-13 salary base, use the current year (2011-12) of the 2012-13 7A. In addition, remove major one-time reductions such as program eliminations from the 2011-12 base.**

**While the pay letters and instructions on Attachment 3 provide guidance regarding costing, departments may review the terms of MOUs for additional clarification.**

#### **F. Salary-Driven Payroll Benefits – State Employer Cost**

The salary-driven benefit increases should be calculated using the following assumptions:

- OASDI (Social Security) - 6.2 percent of total salary up to the \$106,800 cap (for each position covered by OASDI) for 2011 and \$110,700 for 2012 (see BL 11-23, Attachment 1).
- Medicare - 1.45 percent of total salary (no cap).
- Retirement - departments must use the 2011-12 retirement rates as reflected in Control Section 3.60. This information will be used in completing Attachment 4 and rolls into Attachment 1. Employees in the Alternate Retirement Program should be considered Tier 1 when calculating the contribution rate for this BL.
- **These benefits must be calculated based on the “net change” on Attachment 4.**
- **Other increased costs will not be funded.**

### **III. Due Dates**

Departments are required to return all attachments, as appropriate, along with related supporting documentation, to their respective Finance budget analyst as soon as possible, but no later than **Wednesday, October 12, 2011.**

#### IV. Questions

Please direct your questions to the following entities:

- Questions related to provisions of an MOU should be directed to the departmental labor relations officer or DPA.
- Questions related to the treatment of budget documents should be directed to your Finance budget analyst.
- Technical guidance on provisions of, or attachments to, this BL should be directed to Keith Nezaam or Koreen Martone, Employee Compensation Unit, at (916) 445-3274.

/s/ Richard Gillihan for

Diana L. Ducay  
Program Budget Manager

Attachments

## TREATMENT OF BUDGET DOCUMENTS

### A. Planning Estimates (PE)

**Employee Compensation Adjustments** – Post the salary, staff benefit, and interagency agreement adjustment totals from Attachment 8 to PE lines 0110, 0120, and 0700, respectively, for each item of appropriation for both current and budget years (as appropriate).

### B. Schedule 10s

The current year Schedule 10s must reflect employee compensation adjustments as posted on Attachment 7. Using the Schedule 10s, a Budget Executive Order will be issued to adjust departmental appropriations. Be sure that adjustments posted on Schedule 10s are accurate and tie to the applicable attachments. Any errors or omissions on the Schedule 10s will post to departmental accounting records. The following example is provided as a guideline:

Example:

Allocation for employee compensation:

Program A <sup>a/</sup>	\$XXX
Program B <sup>a/</sup>	\$XXX
Reimbursements <sup>b/</sup>	<u>-\$XXX</u>
Total	\$XXX

a Amounts adjusted, including Reimbursements.

b Amounts paid from other departments (Reimbursements).

In addition, departments are to include 2012-13 employee compensation adjustments on their budget year Schedule 10 initial authorized/expenditure totals.

### C. Detail of Appropriations and Adjustments

For current year, the automated Detail of Appropriations and Adjustments will display the adjustments on the line entitled "Allocation for employee compensation" based on the adjustments posted on the department's Schedule 10s.

### D. Changes in Authorized Positions (Schedule 2)

Departments must post the salaries reflected on Attachment 4 for current and budget years to the Salary Adjustments line on the Changes in Authorized Positions.

### E. Expenditures by Category:

Contracting agencies should include their interagency agreement totals (Attachment 6) as Operating Expenses and Equipment on the Expenditures by Category. Reimbursed departments should include this total as salaries and benefits in the Expenditures by Category. Departments must post salaries and benefits reflected on Attachment 4 for the

current year and budget year to the salaries and benefits portion of the Expenditures by Category.

**F. Tie Points**

The following information must tie to each other in the current year (2011-12):

- Attachment 1: Current Year Total
- Attachment 1: Fund Split Total
- Attachment 7: Total Employee Compensation Adjustment, All Funds (whole dollars)
- Attachment 8: Total Adjustment, All Funds
- Attachment 8: Fund Classification, Total

The same information must tie in the budget year (2012-13).

Additionally, all crossties provided on Attachment 9 must reflect "0" for both current and budget year.